

Small Scale Biodiesel Producers

Biodiesel is an alternative to petroleum-based diesel fuels. Biodiesel is made from plant oil, such as canola, camelina, or other crops which can be grown by Montana farmers, allowing them to produce a percentage of Montana fuel. No conversion is necessary to run biodiesel in a standard diesel engine. We do need some networking by the state to ensure the success and safety of these small factors. The Student Advocates for Valuing the Environment (S.A.V.E.) Foundation endorses the following biodiesel bills to create a framework for people to register so they can be reached with educational materials and will make it more likely that producers will register for the road tax.

HB 415: Regulate micro-processing of biodiesel.

How it Works: Would remove legal and financial obstacles that discourage micro-processing of biodiesel. The bill would encourage farmers and ranchers to produce their own sustainable fuel and become more energy independent.

Bill Impacts:

- "Increase the energy security of Montana and the United States by promoting a clean, renewable, domestically produced nonpetroleum fuel;
- Help diversify agricultural and forestry activities, improve food security, and add value to Montana products;
- Add value to Montana beef cattle and other livestock by promoting the growth of high protein, nutritious, supplemental feed;
- Provide conservation benefits to small grain producers by promoting the rotation of oilseed crops, improving soil productivity, and reducing inputs, including a reduction in the need for herbicides, pesticides, and fertilizers; and
- Offer strong economic development potential both by stimulating the growth of crops that strengthen the agricultural industry and by encouraging economic investment in Montana."

HB 416: Exempt certain biodiesel from state tax

How it Works: Would allow people producing biodiesel made from waste vegetable oil for self-use to be exempt from paying the state fuel tax.

Bill Impacts:

- "Special biodiesel producer would be exempt from the special fuel tax on biodiesel produced by the producer from waste vegetable feedstock.
 - This does not apply to special fuel used for agricultural purposes.
- To qualify for the exemption under this section, the special biodiesel fuel producer shall register annually with the department and report on the amount of biodiesel produced and used by the producer in a calendar year by February 15 of the succeeding year."

Paying Biodiesel Fuel Tax

from Montana Department of Transportation

Tax Rates on Biodiesel \$0.2775 Special Fuel Tax/\$0.0075 Petroleum Clean-up Fee

Is Biodiesel Taxable? Yes. Biodiesel falls under the definition of Special Fuel 15-70-301 (16). Any person who engages in the business in this state of producing, refining, manufacturing, or compounding special fuel for sale, use, or distribution is considered a "distributor" and must be licensed as such. 15-70-301 (6). This applies to all persons regardless of the amount they produce or manufacture, or if their intent is for personal use only. Every gallon of fuel used to propel a motor vehicle upon the highways, roads and streets of Montana is taxable.

Personal Use Biodiesel Producer - File a registration form with MDT showing the type of fuel you are producing. File quarterly tax reports showing the amount of fuel produced and used. Send in check or money order with tax report. All forms are available at <http://mdt.mt.gov>.

Cooperative Biodiesel Producer - The cooperative is required to become licensed as a distributor since it is comprised of more than one person. Post a bond equal to twice your monthly tax average. File monthly tax reports on <http://mdt.mt.gov> or by paper. Submit your taxes monthly for the fuel produced and used.

Commercial Biodiesel Producer - A producer is required to be licensed as a distributor. Post a bond equal to twice your monthly tax average. If you import or export biodiesel, you will have to post a minimum bond of \$25,000. File monthly tax reports -on <http://mdt.mt.gov> or by paper. Submit your taxes monthly for the fuel produced and used.

Off-Road Use of Biodiesel - Biodiesel used off-road is eligible for refund after the fuel tax has been paid. To apply for the refund you will need invoices or tax forms showing the taxes were paid on the biodiesel used. If the fuel was blended with dyed diesel you will need to show the percentage of fuel that was biodiesel. Such as B-2, B-5 or B20. B-2 is 2% biodiesel blended with 98% diesel.

Are there any Biodiesel Fuel Tax incentives? Yes. The 2005 Montana Legislature created fuel tax incentives for Biodiesel producers, licensed distributors, and retailers selling Biodiesel. 15-70-601:

House Bill 756: Provides 10 cents per gallon incentive on each gallon increase of Biodiesel production over the previous year. The tax incentive may be claimed for 1) the first year's total production, 2) the production in the second year that exceeds the production in the first year, and 3) the production in the third year that exceeds production in the second year.

House Bill 776: Provides a refund of 2 cents per gallon to licensed distributors and 1 cent per gallon to retailers who sell Biodiesel that is produced entirely from Biodiesel ingredients produced in Montana. The refunds must be applied for within 30 days after the quarter ends.

Since 2006, S.A.V.E. has run a Biodiesel Montana program to bring an engaging education program to rural schools across the state. Biodiesel Montana is a combination country music show biodiesel demonstration. Biodiesel Montana has traveled over 2,000 miles on 100% Biodiesel. MDOT lists The S.A.V.E. Foundation as a Licensed Special Fuel Distributor. Licensed Distributors are eligible to receive gasoline and special fuels tax-free in Montana.



February 17, 2009

Chairman Jopek and Members of the House Committee on Agriculture,

The S.A.V.E. Foundation would like to reiterate its support for HB 416, which exempts people who make their own biodiesel from waste vegetable oil from the state road tax. This bill encourages the safety of those who are already making their own fuel by encouraging them to do it openly, rather than clandestinely.

Homegrown alternative fuels provide rural economic opportunities, energy security, additional markets for farmers, and environmental benefits. We encourage your favorable vote for HB 416 for these reasons. Further, this bill sets forth an alternative fuel foundation leading to larger scale production in the future. That non-individual production will provide tax revenue.

We strongly disagree with the fiscal note. To our knowledge, there is virtually no state revenue currently collected from persons using homemade biodiesel or straight vegetable oil ("SVO"). The loss in state special revenue for FY2011 is therefore \$0. If homemade fuel gains popularity, there may be additional people using this exemption.

Furthermore, we fail to see why 0.25 FTE is required. The form required would be very similar to existing forms (such as the Biodiesel Fuel Tax Refund Application)(attached), and require only minimal labor: filing the annual reports of 300 producers, likely fewer than that the first few years. We believe the minimal work can be accomplished within the Department's existing resources.

On a technical note, this legislation would not supersede the federal road tax. It is important for advocates of this legislation and the department to educate users on paying their federal taxes. If this bill passes, we are committed to providing education on to users about how to pay their federal fuel taxes.

Either our executive director, Matt Elsaesser, or myself will be available for any question during executive action.

We encourage the committee to pass HB 416.

Respectfully,

Tyler Evilsizer, Chairman

The S.A.V.E. Foundation, 501(c)(3)



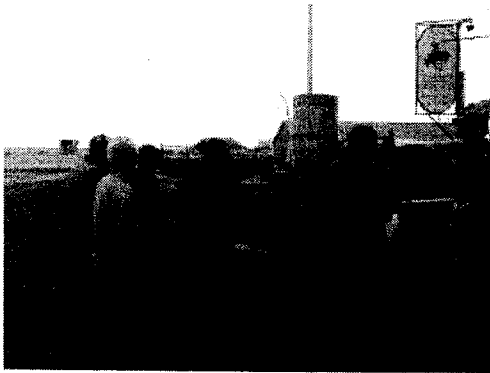
SAVEMOBILE.ORG

Biodiesel Montana Tours

By the S.A.V.E. Foundation

The S.A.V.E. Foundation has traveled more than 2,000 miles across the state to promote the economic and environmental potential of Biodiesel for Montana. The tours have included a series of free concerts at restaurants, schools, and community colleges featuring the music of Singer/Songwriter Jason DeShaw of Plentywood and actual demonstrations on how to make Biodiesel.

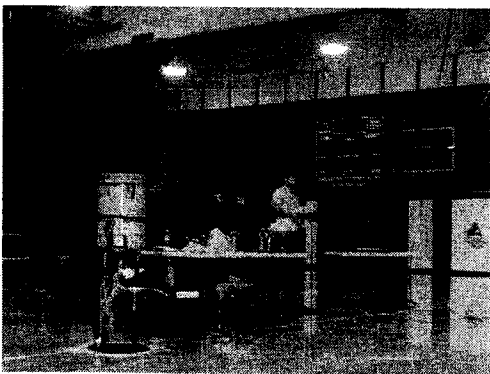
We have presented in dozens towns across Montana, including stops in Bozeman, Helena, Missoula, Great Falls, Winnett, Circle, Jordan, Sidney, Crow Agency, Lame Deer, Avon, Ingomar, Livingston, Miles City, Box Elder, Roundup, and Havre, where the university has recently added a biodiesel testing facility.



Biodiesel Montana educated farmers in Ingomar about the benefits of growing their own fuel.



Rancher Andy Brown explains the details of the fuel lines outside Little Big Horn College.



Country singer Jason Deshaw entertains grades 7-12 in Harlowton.



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